

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:

American Economy Insurance Company
175 Berkeley Street
Boston, Massachusetts 02116

Examination of: American Economy Insurance Company

NOTICE OF ENTRY OF ORDER

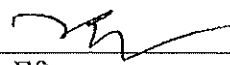
Enclosed is the Final Order entered by Holly W. Lambert, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of American Economy Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of American Economy Insurance Company, shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

6/25/2025

Date



Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7004 1160 0000 3835 5892

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
American Economy Insurance Company)
175 Berkeley Street)
Boston, Massachusetts 02116)

Examination of: **American Economy Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the American Economy Insurance Company (hereinafter “Company”) for the time period January 1, 2019, through December 31, 2023.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 22, 2025.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 23, 2025, and was received by the Company on June 2, 2025.

On June 13, 2025, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:


1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2023.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 25th day of
June, 2025.



Holly W. Lambert
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

AMERICAN ECONOMY INSURANCE COMPANY

NAIC Co. Code 19690
NAIC GROUP CODE 0111

As of

December 31, 2023

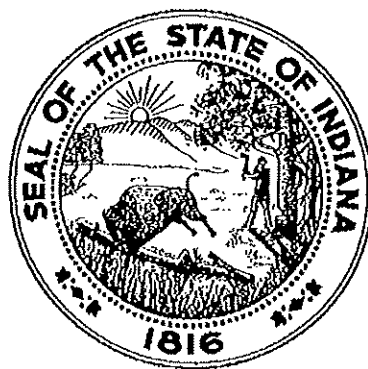


TABLE OF CONTENTS

| | |
|---|----|
| SALUTATION..... | 1 |
| SCOPE OF EXAMINATION..... | 2 |
| HISTORY..... | 3 |
| CAPITAL AND SURPLUS..... | 3 |
| DIVIDENDS TO STOCKHOLDERS | 3 |
| MANAGEMENT AND CONTROL..... | 3 |
| Directors..... | 3 |
| Officers..... | 4 |
| CONFLICT OF INTEREST | 5 |
| OATH OF OFFICE..... | 5 |
| CORPORATE RECORDS..... | 5 |
| Articles of Incorporation | 5 |
| Bylaws..... | 5 |
| Minutes..... | 5 |
| AFFILIATED COMPANIES..... | 6 |
| Organizational Structure | 6 |
| Affiliated Agreements..... | 6 |
| FIDELITY BOND AND OTHER INSURANCE..... | 7 |
| TERRITORY AND PLAN OF OPERATION..... | 8 |
| REINSURANCE..... | 8 |
| Reinsurance Pool..... | 8 |
| Ceded Reinsurance..... | 9 |
| Assumed Reinsurance | 9 |
| FINANCIAL STATEMENTS | 9 |
| Assets | 10 |
| Liabilities, Surplus and Other Funds..... | 11 |
| Statement of Income..... | 12 |
| Reconciliation of Capital and Surplus Account | 13 |
| COMMENTS ON THE FINANCIAL STATEMENTS | 14 |
| OTHER SIGNIFICANT ISSUES | 14 |
| SUBSEQUENT EVENTS..... | 14 |
| AFFIDAVIT..... | 15 |



STATE OF INDIANA

MIKE BRAUN, GOVERNOR

Indiana Department of Insurance

Holly W. Lambert, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-3520
Fax: 317-232-5251
Website: in.gov/doi

May 22, 2025

Honorable Holly W. Lambert, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4185, an examination has been made of the affairs and financial condition of:

American Economy Insurance Company
175 Berkeley Street
Boston, Massachusetts 02116

hereinafter referred to as the "Company," or "AEIC," an Indiana domestic stock, property, and casualty insurance company. The examination was conducted remotely with assistance from the corporate office staff in Boston, Massachusetts.

The Report of Examination, reflecting the status of the Company as of December 31, 2023, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

| | | | | | | |
|---------------------------------|------------------------------------|--|------------------------------------|-------------------------------------|---------------------------------|--|
| AGENCY SERVICES 317-232-2389 | COMPANY COMPLIANCE 317-232-3495 | CONSUMER SERVICES 317-232-2395/1-800-622-4461 | FINANCIAL SERVICES 317-232-2390 | MEDICAL MALPRACTICE 317-232-5253 | COMPANY RECORDS 317-232-2383 | STATE HEALTH INSURANCE PROGRAM 1-800-452-4800 |
|---------------------------------|------------------------------------|--|------------------------------------|-------------------------------------|---------------------------------|--|

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2014, through December 31, 2018. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2019, through December 31, 2023, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination of the Massachusetts domestic insurance companies of Liberty Mutual Group (LMG) was called by the Massachusetts Division of Insurance (Division) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The Division served as the lead state on the examination, and the INDOI and the insurance departments from Arizona, California, Connecticut, Illinois, Iowa, Minnesota, New Hampshire, Ohio, Oregon, Texas, and Wisconsin served as participants.

The actuarial specialists of Risk & Regulatory Consulting LLC provided all actuarial services throughout the examination and conducted a review of the Company's actuarial-related risks as of December 31, 2023.

The investment specialists of Risk & Regulatory Consulting LLC provided all investment services throughout the examination and conducted a review of the Company's investment-related risks as of December 31, 2023.

The information technology specialists of Risk & Regulatory Consulting, LLC provided all information technology services throughout the examination and conducted a review of the Company's IT Environment and related risks as of December 31, 2023.

The reinsurance specialist of Risk & Regulatory Consulting, LLC provided all reinsurance services throughout the examination and conducted a review of the Company's reinsurance program and related risks as of December 31, 2023.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company was incorporated under the laws of the state of Indiana on October 19, 1959, and commenced business on October 23, 1959. The Company was a wholly-owned subsidiary of American States Insurance Company (ASIC), and ASIC was 100% owned by American States Financial Corporation (ASFC), an insurance holding company. ASFC was controlled through 83% ownership by Lincoln National Corporation until October 1, 1997, when Safeco Corporation (Safeco) completed the acquisition of ASFC. In 2000, ASFC was dissolved and 100% of the Company's outstanding shares were transferred to Safeco.

On April 23, 2008, Safeco agreed to a merger with an LMG subsidiary. As a result of the merger, Liberty Mutual Holding Company, Inc. (LMHC), a Massachusetts holding company, became the new ultimate parent. LMHC was formed in 2001 as part of the mutual holding company reorganization of Liberty Mutual Insurance Company (LMIC).

CAPITAL AND SURPLUS

The Company had 1,000,000 authorized shares of common stock with a par value of \$5 per share and 1,000,000 shares issued and outstanding throughout the examination period.

No capital contributions were made or received during the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to Safeco during the examination period:

| <u>Year</u> | <u>Total</u> | <u>Ordinary Dividends</u> | <u>Extraordinary Dividends</u> |
|-------------|----------------------|-------------------------------|------------------------------------|
| 2019 | <u>\$ 53,000,000</u> | <u>\$ 6,933,055</u> | <u>\$ 46,066,945</u> |
| Total | <u>\$ 53,000,000</u> | <u>\$ 6,933,055</u> | <u>\$ 46,066,945</u> |

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer of the prior year. The Company paid one (1) extraordinary dividend during the examination period with the prior approval of the INDOI. One (1) other dividend was paid during the examination period and was ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than five (5) and no more than twenty-one (21) directors. At least one (1) of the directors must be a resident of Indiana. Directors shall be elected at the first annual shareholders' meeting and at each annual meeting thereafter. A director need not be a shareholder.

The following is a listing of persons serving as directors as of December 31, 2023, and their principal occupations as of that date:

| <u>Name and Address Location</u> | <u>Principal Occupation</u> |
|---|--|
| James Czapla Marblehead, Massachusetts | Deputy General Counsel, U.S. Retail Markets Liberty Mutual Group Inc. |
| Matthew Dolan Avon, Connecticut | President, Ironshore, Global Risk Solutions Liberty Mutual Group Inc. |
| Alison Erbig Stoneham, Massachusetts | Chief Financial Officer, Global Risk Solutions Liberty Mutual Group Inc. |
| Michael Fallon Bedford, Massachusetts | President, Major Accounts, Global Risk Solutions Liberty Mutual Group, Inc. |
| Damon Hart Brookline, Massachusetts | Secretary, Chief Legal Officer Liberty Mutual Group, Inc. |
| Matthew Johnson Boston, Massachusetts | Chief Financial Officer, U.S. Retail Markets Liberty Mutual Group, Inc. |
| Hamid Mirza Norwell, Massachusetts | President, U.S. Retail Markets Liberty Mutual Group Inc. |
| Elizabeth Morahan Newtonville, Massachusetts | Deputy General Counsel, Global Risk Solutions Liberty Mutual Group Inc. |
| Paul Sanghera Medfield, Massachusetts | Comptroller, Executive Vice President Liberty Mutual Group Inc. |
| John Seeber, Jr. Indianapolis, Indiana | Senior Underwriting Manager Liberty Mutual Group Inc. |

Officers

The Bylaws state that the elected officers of the Company shall consist of a President, a Secretary, and a Treasurer. Each of these officers is elected by the Board and shall hold office for one (1) year or until such time as they might be removed. The President or Chairman may appoint the number of Vice Presidents, Assistant Secretaries, Assistant Treasurers or any such officer as the President or Chairman may determine is required in the best interest of AEIC.

The following is a list of key officers and their respective titles as of December 31, 2023:

| <u>Name</u> | <u>Office</u> |
|--------------------|---|
| Hamid Mirza | President and Chief Executive Officer |
| Damon Hart | Executive Vice President, Chief Legal Officer and Secretary |
| Nikos Vasilakos | Executive Vice President and Treasurer |
| Vlad Barbalat | Executive Vice President and Chief Investment Officer |
| Christopher Peirce | Executive Vice President and Chief Financial Officer |
| Paul Sanghera | Executive Vice President and Comptroller |

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2023.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take, and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2023.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders' meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws require the annual meeting be held within five (5) months after the end of the fiscal year. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

The committee meeting minutes for LMHC during the examination period, and through the fieldwork date, were

reviewed for the following committees: Finance and Audit Committee, Compensation Committee, Executive Committee, Investment Committee, Governance and Sustainability Committee, and Risk Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and affiliates as of December 31, 2023, that were included in this examination:

| | <u>NAIC Code</u> | <u>Co. Domiciliary State/Country</u> |
|---|------------------|--------------------------------------|
| Liberty Mutual Holding Company Inc. | | MA |
| LMHC Massachusetts Holding Inc. | | MA |
| Liberty Mutual Group Inc. | | MA |
| State Automobile Mutual Insurance Company | 25135 | OH |
| State Auto Holdings, Inc. | | OH |
| Meridian Security Insurance Company | 23353 | IN |
| Liberty Mutual Insurance Company | 23043 | MA |
| LM Property and Casualty Insurance Company | 32352 | IN |
| Ohio Casualty Corporation | | OH |
| The Ohio Casualty Insurance Company | 24074 | NH |
| West American Insurance Company | 44393 | IN |
| Liberty Insurance Holdings, Inc. | | DE |
| Liberty Mutual Agency Corporation | | DE |
| Peerless Insurance Company | 24198 | NH |
| Liberty-USA Corporation | | DE |
| The National Corporation | | IN |
| National Insurance Association | 27944 | IN |
| Indiana Insurance Company | 22659 | IN |
| Consolidated Insurance Company | 22640 | IN |
| Safeco Corporation | | WA |
| American States Insurance Company | 19704 | IN |
| General Insurance Company of America | 24732 | NH |
| Safeco Insurance Company of Indiana | 11215 | IN |
| American States Preferred Insurance Company | 37214 | IN |
| American Economy Insurance Company | 19690 | IN |
| American States Insurance Company of Texas | 19712 | TX |

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Management Services Agreement

The Company was party to a Management Services Agreement with LMIC effective January 1, 2013, under which LMIC provides risk underwriting, claims processing, claims adjustments, policyholder services, contract management, administration, and other services determined to be reasonably necessary or desirable. The Management Services Agreement was submitted to the INDOI on November 13, 2012, and was not disapproved on December 27, 2012. Pursuant to the terms of this Agreement, AEIC paid no fees in 2023.

Property & Casualty Agency Agreement

The Company was party to a Property & Casualty Agency Agreement with Comparison Insurance Agency, LLC (CIA) effective April 11, 2022, whereby CIA is appointed as property-casualty insurance agent of the Company. A Form D was filed with the INDOI on February 25, 2022, and was not disapproved on April 11, 2022.

Cash Management Agreement

The Company was party to a Cash Management Agreement with LMIC effective January 1, 2016, whereby LMIC will provide short-term cash liquidity pool management services to the Company. A Form D was filed with the INDOI on October 7, 2015, and was not disapproved on December 21, 2015. Pursuant to the terms of this Agreement, AEIC paid no fees in 2023.

Investment Agreements

The Company was party to an Investment Management Agreement with Liberty Mutual Group Asset Management Inc. (LMGAM) effective July 1, 2011. The Agreement was filed with the INDOI on May 18, 2011, and was not disapproved on June 15, 2011.

Effective January 1, 2013, the Investment Management Agreement between AEIC and LMGAM was amended and restated, and supersedes the prior Agreement between the parties, originally effective July 1, 2011. The Amended and Restated Investment Management Agreement was filed with the INDOI on November 27, 2012, and was not disapproved on December 26, 2012. Pursuant to the Agreement, AEIC paid management fees to LMGAM of \$17,250 in 2023.

Federal Tax Sharing Agreement

The Company was party to a Federal Tax Sharing Agreement effective September 22, 2008, as amended by Amendment Number 4, with LMHC and affiliates. Under this Agreement, the method of allocation is based upon separate return allocation with credit applied for losses as appropriate. AEIC has the enforceable right to recoup prior year payments in the event of future losses. The Agreement may be terminated for any party when the entity is no longer a member of the consolidated group for tax filing purposes. Amendment Number 4 was filed with the INDOI on or about September 25, 2008, and not disapproved on October 22, 2008.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by National Union Fire Insurance Company of Pittsburgh, PA. The bond has an aggregate limit of liability of \$30 million and a single loss coverage limit of \$15 million with a \$10 million deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2023, including but not limited to automobile liability, commercial general liability, financial institution bond, miscellaneous professional liability, specialty risk and umbrella liability.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to conduct business in forty-nine (49) states and the District of Columbia, excluding the state of New Jersey. On January 19, 2018, the LMG announced the realignment of its businesses to enhance its ability to meet the changing demands of consumer and business customers and conducts substantially all of its operations through two (2) businesses, Global Retail Markets and Global Risk Solutions. The Global Retail Markets business segment was discontinued in 2023 and replaced with the U.S. Retail Markets business segment to deepen strategic focus on U.S. personal and small commercial insurance lines. Each business unit operates independently of the other and has dedicated actuarial, claims, financial, information technology, sales, and underwriting resources.

The Company's largest states, by total Direct Premium Written as of December 31, 2023, are Texas (\$488.3M or 21%), Colorado (\$367.4M or 16%), Michigan (\$188.0M or 8%), Ohio (\$108.0M or 5%) and Arizona (\$105.0M or 4%). These states accounted for 54% of total premium writings in 2023.

REINSURANCE

Reinsurance Pool

Prior to January 1, 2013, LMIC was organized with two (2) separate and distinct intercompany reinsurance pools, the Pool and the Peerless Pool. Effective January 1, 2013, the Peerless Pool was merged into the Pool and thus dissolved.

Effective January 1, 2013, AEIC entered into the Second Amended and Restated Intercompany Reinsurance Agreement (Intercompany Reinsurance Agreement) covering all of its direct writings with participation being the percentage indicated in the table below. The Agreement was filed with the INDOI on November 13, 2012, and was not disapproved on December 27, 2012.

LMIC shares the results of its underwriting operations through the Pool with a number of subsidiaries and affiliates. LMIC is the lead insurer of the LMIC Pool and as such is the principal administrator of most pooling operations. After recording all of the affiliate transactions, LMIC records 100% of its external assumed and ceded reinsurance and the net underwriting activity is retroceded to the LMIC Pool participants in accordance with each company's pro-rata pooling participation percentage as noted below, except for Wausau Business Insurance Company, Wausau General Insurance Company and Wausau Underwriters Insurance Company, which cede 100% of its underwriting activity to Employers Insurance Company of Wausau, which then 100% retrocedes to LMIC to be included in the LMIC Pool.

Effective July 1, 2017, AEIC is party to Addendum 1 to the Intercompany Reinsurance Agreement. Addendum 1 amends the Agreement to add two (2) new affiliates, Ironshore Specialty Insurance Company and Ironshore Indemnity Inc., which were acquired on May 1, 2017. A Form D was filed with the INDOI on April 29, 2017, and was not disapproved on May 26, 2017.

Effective April 1, 2022, AEIC is party to Addendum 2 Second Amendment to the Second Amended and Restated Intercompany Reinsurance Agreement. Addendum 2 amends the Pooling Agreement to add the following new affiliates, American Compensation Insurance Company, Bloomington Compensation Insurance Company, Meridian Security Insurance Company, Milbank Insurance Company, Patrons Mutual Insurance Company of Connecticut, Plaza Insurance Company, Rockhill Insurance Company, State Auto Insurance Company of Ohio, State Auto Insurance Company of Wisconsin, State Auto Property & Casualty Insurance Company and State

Automobile Mutual Insurance Company, which were acquired on March 1, 2022. A Form D was filed with the INDOI on October 22, 2021, and the was not disapproved on December 28, 2021.

Following is a list of the companies within LMG receiving a share of the Pool and its respective contract percentage:

| Name of Pool Members | Percentage of Pool | Domiciliary State |
|--|--------------------|-------------------|
| Liberty Mutual Insurance Company | 50.0% | MA |
| Peerless Insurance Company | 20.0% | NH |
| Employers Insurance Company of Wausau | 8.0% | WI |
| Liberty Mutual Fire Insurance Company | 8.0% | WI |
| The Ohio Casualty Insurance Company | 8.0% | NH |
| Safeco Insurance Company of America | 6.0% | NH |
| American Economy Insurance Company ^A | 0.0% | IN |
| American States Insurance Company ^A | 0.0% | IN |
| American States Preferred Insurance Company ^A | 0.0% | IN |
| Consolidated Insurance Company ^A | 0.0% | IN |
| Indiana Insurance Company ^A | 0.0% | IN |
| Meridian Security Insurance Company ^A | 0.0% | IN |
| National Insurance Association ^A | 0.0% | IN |
| Safeco Insurance Company of Indiana ^A | 0.0% | IN |
| West American Insurance Company ^A | 0.0% | IN |
| Total | 100.0% | |

^A Indiana domiciled insurers that are party to the Intercompany Reinsurance Agreement, but do not participate in the retrocession of pool business. Including the Indiana domiciled insurers that have 0% of the reinsurance Pool, there are a total of sixty-two (62) insurance companies with 0% of the reinsurance pool.

Ceded Reinsurance

No business was ceded by the Company during the examination period.

Assumed Reinsurance

No business was assumed by the Company during the examination period.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the company with the INDOI and present the financial condition of the company for the period ending December 31, 2023. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

AMERICAN ECONOMY INSURANCE COMPANY
Assets
As of December 31, 2023

| | |
|---|----------------------|
| | <u>Per Company</u> |
| Bonds | \$ 10,431,796 |
| Stocks: | |
| Common stocks | 9,593,876 |
| Cash, cash equivalents and short-term investments | 930,982 |
| Securities lending reinvested collateral assets | 133,069 |
| Subtotals, cash and invested assets | <u>21,089,723</u> |
| Investment income due and accrued | 52,116 |
| Premium and considerations | |
| Uncollected premiums and agents' balances in course of collection | (47) |
| Reinsurance: | |
| Funds held by or deposited with reinsured companies | (2,035) |
| Receivables from parent, subsidiaries and affiliates | <u>9</u> |
| Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts | <u>21,139,766</u> |
| Totals | <u>\$ 21,139,766</u> |

AMERICAN ECONOMY INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2023

| | Per Company |
|---|-----------------------------|
| Reinsurance payable on paid losses & loss adjustment expense | \$ 356 |
| Current federal and foreign income taxes on realized capital gains (losses) | 10,840 |
| Net deferred tax liability | 455,000 |
| Amounts withheld or retained by company for account of others | 3,946 |
| Payable to parent, subsidiaries and affiliates | 194,016 |
| Payable for securities | 1,950 |
| Payable for securities lending | 133,069 |
| Aggregate write-ins for liabilities | 460 |
| Total liabilities excluding protected cell liabilities | <u>799,637</u> |
| Total liabilities | <u>799,637</u> |
| Common capital stock | 5,000,000 |
| Gross paid in and contributed surplus | 11,330,548 |
| Unassigned funds (surplus) | <u>4,009,581</u> |
| Surplus as regards policyholders | <u>20,340,129</u> |
| Totals | <u><u>\$ 21,139,766</u></u> |

AMERICAN ECONOMY INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2023

| | <u>Per Company*</u> |
|--|---------------------|
| INVESTMENT INCOME | |
| Net investment income earned | \$ 246,555 |
| Net realized capital gains (losses) less capital gains tax | <u>(855)</u> |
| Net investment gain (loss) | 245,700 |
| OTHER INCOME | |
| Aggregate write-ins for miscellaneous income | <u>254,514</u> |
| Total other income | <u>254,514</u> |
| Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes | 500,214 |
| Dividends to policyholders | |
| Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes | 500,214 |
| Federal and foreign income taxes incurred | <u>104,227</u> |
| Net income | <u>\$ 395,987</u> |

* The balances include immaterial rounding differences

AMERICAN ECONOMY INSURANCE COMPANY
Reconciliation of Capital and Surplus Account

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Surplus as regards policyholders, December 31 prior year | \$ 19,632,016 | \$ 19,281,347 | \$ 18,961,862 | \$ 18,692,201 | \$ 69,330,549 |
| Net income | 395,987 | 249,396 | 241,726 | 330,286 | 7,167,301 |
| Change in net unrealized capital gains or (losses) less capital gains tax | 127,126 | 92,273 | 82,759 | 122,375 | (4,441,649) |
| Change in net deferred income tax | 2,000 | (75,000) | (24,000) | (151,000) | (628,000) |
| Change in nonadmitted assets | 183,000 | 84,000 | 19,000 | (32,000) | 264,000 |
| Surplus adjustments: | | | | | |
| Paid in | - | - | - | - | (38,815,303) |
| Dividends to stockholders | - | - | - | - | (14,184,697) |
| Change in surplus as regards policyholders for the year | 708,113 | 350,669 | 319,485 | 269,661 | (50,638,348) |
| Surplus as regards policyholders, December 31 current year | <u>\$ 20,340,129</u> | <u>\$ 19,632,016</u> | <u>\$ 19,281,347</u> | <u>\$ 18,961,862</u> | <u>\$ 18,692,201</u> |

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2023, based on the results of this examination

OTHER SIGNIFICANT ISSUES

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.

SUBSEQUENT EVENTS

On July 25, 2024, Liberty Mutual announced that Julie Haase was named Executive Vice President and Chief Financial Officer, effective January 1, 2025. Current Executive Vice President and Chief Financial Officer Chris Peirce announced retirement at the end of 2024.

On March 4, 2025, Liberty Mutual announced it will market and sell all of its personal lines products solely under the Liberty Mutual brand starting in 2026. Safeco Insurance, the company's brand within the independent agent channel, will retire as a brand.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that they, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Risk & Regulatory Consulting LLC, performed an examination of American Economy Insurance Company, as of December 31, 2023.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

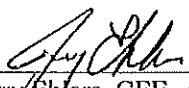
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of the condition of the American Economy Insurance Company as of December 31, 2023, as determined by the undersigned.

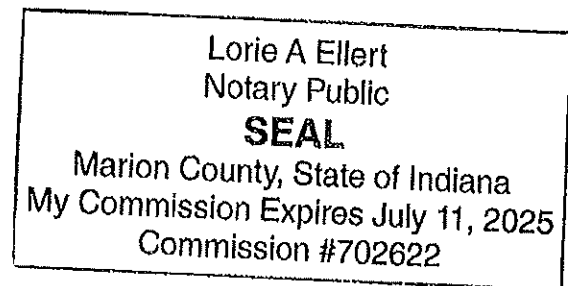


Daniel Schnepf, CFE
Noble Consulting Services, Inc.

Under the Supervision of:



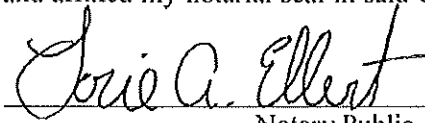
Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance



State of: Indiana
County of: Marion

On this 23rd day of June, 2025, before me personally appeared, Daniel Schnepf and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 11, 2025 

Notary Public

